

Iran: Updated Food Situation

Iran is finding it increasingly difficult to maintain the normal flow of food supplies for its population and feedgrains for the livestock and poultry industry. The country normally imports 25-30 percent of its food requirements; these came predominately from the United States in past years. Urban areas are especially dependent on imports for food supplies--up to 100 percent of vegetable oils, 80 percent of rice, and 50 percent of wheat and sugar. Shortages of basic food items and long lines in shops already have been reported in Tehran and Shiraz.

[REDACTED]

Current food shortages are probably a result of hoarding and an inefficient and disrupted transportation system. An adequate domestic crop and a surge in grain deliveries to Persian Gulf ports in November indicate that supplies in the country should be adequate for now. A real crunch will come early next year if foreign deliveries cannot be maintained. At this time supplies from domestic production also will be reaching a seasonal low level. The problem of maintaining food imports is not so much one of lining up alternative suppliers as it is arranging payments and deliveries. Iranian and foreign banks are having difficulty handling the confusion created by the US blockage of Iranian assets and ship owners are reluctant to make deliveries to Iranian ports because of the risk of seizures, off loading problems and an outbreak of hostilities.

[REDACTED]

Domestic Supplies

The July wheat crop and September/October rice harvests probably were average at best, and a smaller share of the crops is likely to reach the urban markets than is normal. Widespread hoarding among farmers, especially rice producers around the Caspian sea area, is keeping the grain in the rural areas. Spoilage, always a major problem for Iranian agriculture will be even greater this year because of disruptions in the storage and distribution system.

[REDACTED]

The domestic poultry industry -- already hard hit by the disruptions in feedgrain supplies (notably soybeans) during the revolution -- could face extinction if imports are not maintained. Current supplies will last an estimated three months. The United States has supplied almost all of Iran's soybean imports in the past. Poultry is one of the main animal protein sources in the Iranian diet. About 75 percent of urban consumption is produced domestically, but the local industry imports 50-75 percent of its poultry feed. [REDACTED]

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US Shipments

As a result of the longshoremen's refusal to load cargoes for Iran, the last direct shipment of food from the United States -- 32,000 tons of barley -- left on 6 November. Since it generally takes about one month for US shipments to reach Iran, the last direct grain shipment has probably already arrived; it usually takes two-three weeks to offload the carriers. Hence, Iran may continue to receive US food for another week or so. At the end of November, there reportedly was no interest in chartering ships to deliver grain to Iran from the United States. Although some shippers apparently are changing the documented destination of commodities destined for Iran, major international grain companies apparently have not been issuing quotes for grain sales to Iran from the United States, and new Iranian grain purchases are not anticipated in the near future. [REDACTED]

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In US fiscal year 1979, US exporters shipped 816,000 tons of wheat to Iran, an estimated 60 to 70 percent of Iranian imports and 10 to 15 percent of total consumption. Comparable statistics on other U.S. food exports to Iran would include:

- °Corn: 308,000 tons, 60-65 percent of imports, 55-60 percent of total consumption.
- °Rice: 333,000 tons, 60-65 percent of imports, 20-25 percent of consumption.
- °Sorghum: 32,000 tons, 8-12 percent of imports, 8-12 percent of consumption.

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°Soybean oil: 181,000 tons, 55-60 percent of imports, 42-47 percent of consumption.

°Soybean oilcake and meal: 81,000 tons, 20-25 percent of protein meal imports, 8-12 percent of protein meal consumption.

Since the end of September, US importers have shipped 132,000 tons of corn, 50,000 tons of barley (virtually no barley exports last fiscal year), and 26,000 tons of soybean oilcake and meal to Iran. [REDACTED]

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Other Suppliers

The loss of food supplies from the United States has sent Iran scurrying for new sources of supply. Brazil was requested by the Iranians to supply statistics on its annual production, export capabilities and prices for principal agricultural commodities especially corn, wheat, rice, soy, beef, pork, and poultry. Although some Brazilian officials would like to see local exporters take advantage of the US withdrawal from the Iranian market, opportunities are limited, particularly in the near term. Exports to Iran -- mostly soybean oil -- have fallen sharply this year due to a poor Brazilian crop. After sales of \$121 million in 1978, Brazilian exports to Iran in the first quarter of 1979 fell to only \$3 million. Moreover, the shortage of soybean oil has even forced Brazil to import supplies from the United States. Only after the next crop is harvested and the crush begins in March will Brazil be in a position to resume soybean oil shipments to the Iranian market. [REDACTED]

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Despite the limited opportunity, Brazil is attempting to ship food to Iran. Interbras, the trading subsidiary of Petrobras, recently diverted a shipment of 12,500 tons of US soybean oil to Teheran. Brazil and Iran have also engaged in a limited discussion of a possible barter of corn for crude oil in 1980. Such discussions are necessarily tentative since the size of Brazil's crops will not be clear until second quarter 1980. [REDACTED]

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In a move that predates the current US-Iranian flareup, Teheran last summer contracted for 520,000 tons of Australian wheat at \$20 per ton over the average world market price; delivery was scheduled for October 1979

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through January 1980. The contract amounts to 4-5 percent of projected Australian wheat exports during the fiscal year ending June 1980. As of 3 November, 125,000 tons had been shipped with the remaining schedule calling for shipments of 175,000 tons in November, 120,000 tons in December, and 100,000 tons in January. Payment for the wheat was to be executed in US dollars through New York. When Washington's block on Iranian assets disrupted the plan, Canberra quickly worked out arrangements for either dollar payments through non-US banks in London or deutsche mark payments in Frankfurt. [redacted]

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The Australian press reports that Teheran is looking to Canberra for another 1 million tons of wheat for 1980 delivery. With a bumper harvest now under way and large carryover stocks, Australia could readily sell Iran this much wheat, but delivery would pose problems. Additional wheat probably could not be shipped to Iran before next spring because of other contract commitments and congestion in Australian ports and railroads. Canberra already is running behind schedule in deliveries to China and the USSR, due largely to continuing labor disputes. Trade sources estimate that shipments are approximately two months behind in some cases. So far, the growing hesitation of many Australian shipowners to service Iran has not had a substantial impact on grain and meat shipments. [redacted]

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Australian deliveries of live sheep and wheat to Iran continue although delayed due to payment problems and labor disputes. Shipment of 36,000 live sheep from Western Australia was delayed several weeks until confirmed letters of credit could be arranged; an additional 4,000 head were scheduled to be loaded in early December once shipping was found. 1979-80 contracts call for exports of approximately \$110 million worth of processed lamb and mutton to Iran, and about three million live sheep worth a similar amount. [redacted]

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Tehran radio reported that the French Government had officially informed Tehran that France could supply all Iran's immediate needs for food, including meat, wheat and other grains, sugar and cheese. [redacted]

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Iran is rumored to be pressuring Canadian bankers to help arrange renewed shipments of barley. Ottawa would certainly discourage any effort by Canadian banks to arrange large new sales while the US hostages are being held, but may not be willing to deny supplies to Iran altogether in view of its concern about the banks' exposure in Iran. [REDACTED]

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Canada has no wheat available for immediate shipment; supplies are booked through February, and deliveries are running well behind schedule because of transport problems within Canada. The Wheat Board has sold some wheat to private traders who presumably could divert supplies to Iran, but the amounts would be small. [REDACTED]

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Trader Cooperation

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Other Factors Affecting the Food Outlook

Iran's immediate problem is not so much one of finding new suppliers to make up for losses from the United States as one of payment and delivery. Tehran's difficulty in concluding a rice deal with Thailand is a case in point. A Thai company has orders pending for 50,000 metric tons of rice; Iran has accepted the price but cannot open letters of credit. Furthermore, the Thai firm has been unable to line up a vessel going to Iran because of the high risk now associated with the Persian Gulf. Even when deliveries can be facilitated, the costs certainly will be high because of the recent increase in insurance and the inconvenience and expense of arranging letters of credit circumventing US financial institutions. [REDACTED]

Overland shipment of goods through Turkey and the USSR, have been encountering difficulties. The Soviet Union suspended railway shipments to Iran via the border transshipment point of Dzhul'fa because of congestion at the border until at least 15 December. Firms in Western Europe have reported problems acquiring trucks and drivers to transport goods through Turkey to Iran. Shippers also have become increasingly reluctant to send their good through Iran's northwest border region by any mode of transport because of the potential for renewed warfare between forces loyal to Khomeini and the local Azerbayjani population [REDACTED]

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